Congress of the United States
Washington, DC 20515

May 25, 2004

The Honorable George W. Bush
President of the United States
White House
1600 Pennsylvania Ave
Washington, D.C. 20500

Dear President Bush:

Gasoline prices continue to climb to record highs, with the national average now at $2.06 a gallon, and prices topping $2.32 in some areas. While the oil industry blames environmental regulations and OPEC, there is substantial evidence that anti-competitive practices by domestic corporations—made possible by recent mergers—are partly to blame for high gasoline prices. We believe only an increase in government oversight can restore the transparency and accountability consumers need.

In the last six years, mergers between BP and Amoco (1998), Exxon and Mobil (1999), BP Amoco and Arco (2000), Chevron and Texaco (2001), Valero and Ultramar/Diamond Shamrock (2001), and Conoco and Phillips (2002) created huge new oil companies that have control over the most significant factor impacting gasoline prices: domestic refineries. Today, the largest five refiners operating in America—ConocoPhillips, Royal Dutch Shell, ExxonMobil, BP and Valero—control over 52% of domestic refining capacity. The top 10 (which includes ChevronTexaco, Citgo, Marathon, Sunoco and Tesoro) control 78.5%. This level of concentration is far greater than just a decade ago, when the largest five refiners controlled 34.5% of the market, and the largest 10 owned 55.6%.

Armed with significant market share, these oil companies can more easily pursue anti-competitive activities that result in price-gouging. The U.S. Federal Trade Commission (FTC) concluded in March 2001 that oil companies pursued "profit-maximizing strategies" to intentionally withhold gasoline supplies as a tactic to drive up prices.[1] In addition, deregulation of energy trading markets (like the ones exploited by Enron) has removed transparency from oil and natural gas futures markets, allowing oil companies and Wall Street investment banks to potentially manipulate prices on these markets.

While some claim the stalled energy bill will provide new supplies to the market and therefore force down prices, the Energy Information Administration concludes that the billion dollar subsidies the energy bill would provide to energy corporations will neither significantly increase production nor lower prices for consumers.[2]

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[1] Final Report of the Federal Trade Commission. Midwest Gasoline Price Investigation. March 29, 2001.

[2] Summary Impacts of Modeled Provisions of the 2003 Conference Energy Bill. February 2004. Energy Information Administration. Office of Integrated Analysis and Forecasting. U.S. Department of Energy.

Effectively addressing high gasoline prices will take six steps—none of which are included in the energy legislation. We ask you to support these steps and take the necessary actions to implement them.

First, require oil companies to expand gasoline storage capacities, require them to hold significant amounts in that storage, and reserve the right to order these companies to release this stored gas to address supply and demand fluctuations.

Second, block mergers that make it easier for oil companies to manipulate gasoline supplies—and take steps, such as forcing companies to sell assets, to remedy the current highly concentrated market.

Third, re-regulate energy trading exchanges that were exploited by Enron and continue to be abused by other energy traders.

Fourth, discontinue filling the Strategic Petroleum Reserve while prices are high and conduct a study of building crude and product reserves that can be used as economic stockpiles to dampen price increases.

Fifth, reduce oil consumption by implementing strong fuel economy standards. Substantially improving CAFE standards over a ten-year period would reduce the oil used by one-third in 2020 and save consumers $16 billion at the gas pump.[3]

Sixth, request the Federal Trade Commission conduct a study of the reasons why the market forced the closure of over 50 predominantly small and independent refiners in the past ten years and assess how to bring fair competition back to the refinery market and thus expand capacity.

By employing all six of these strategies, substantial reductions in the price of gasoline are attainable. We urge you to support these strategies.

Sincerely,

Dennis J. Kucinich
Edward J. Markey
Diane E. Watson
Peter DeFazio
Eddie Bernice Johnson
Danny K. Davis

[3] National Academy of Sciences, "Effectiveness and Impact of Corporate Average Fuel Economy (CAFE) Standards," (2002).

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